



Financial Projections & Budget Outlook

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Presentation Outline

- FY 2020-21 Budget Recap
- FY 2021-22 Financial Projections & Budget Outlook
- FY 2021-22 Budget Development Process

FY 2020-21 Budget Recap



FISCAL YEAR 2020-21
ADOPTED BUDGET
JULY 1, 2020 TO JUNE 30, 2021



Fiscal Year 2020-21 Budget

Total Budget \$502.6 million (Adopted June 15, 2020):

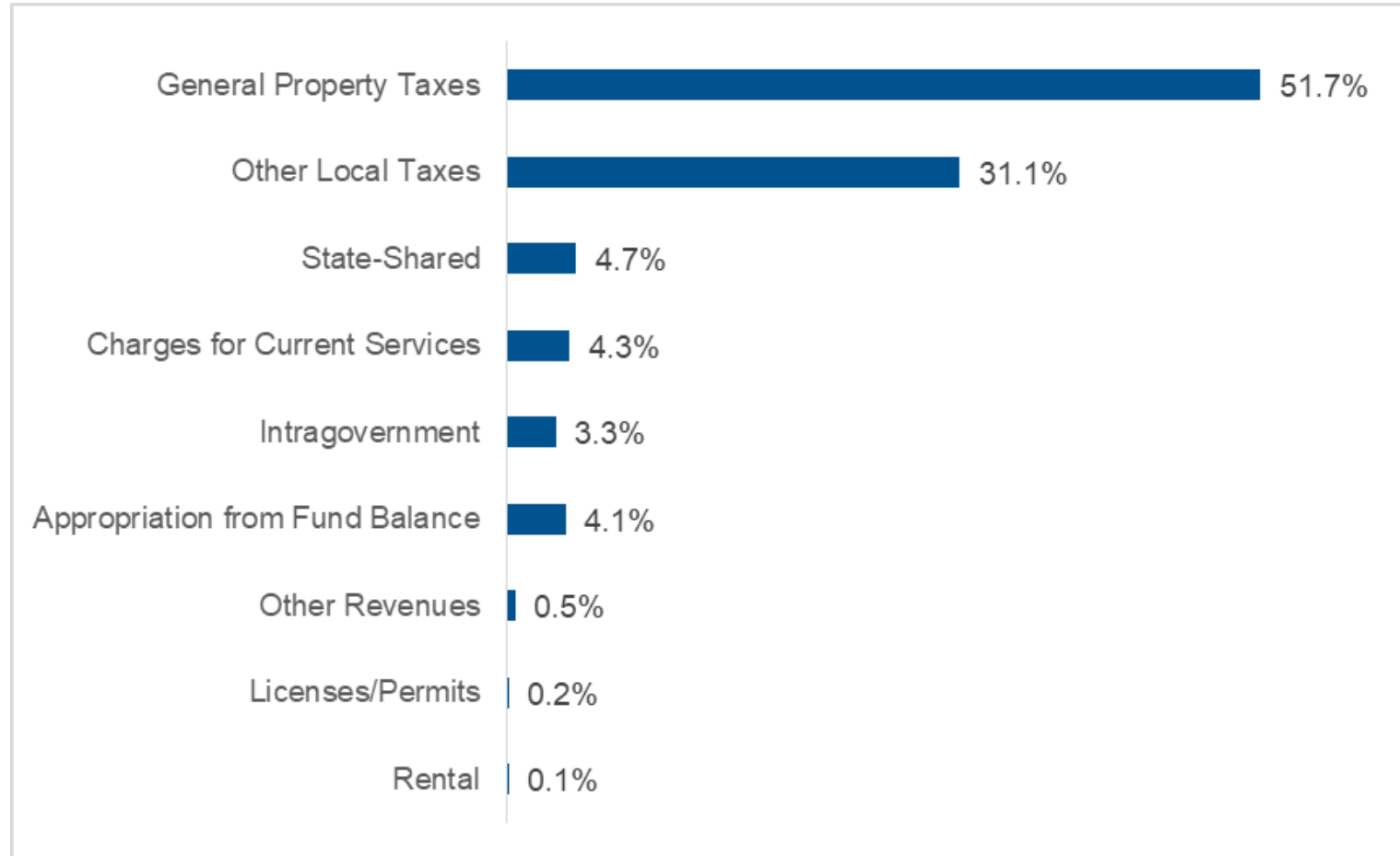
- General Fund \$214.6 million
- Water & Sewer Fund \$108.9 million
- Debt Service Fund \$64.1 million
- Solid Waste Fund \$31 million
- Transit - \$28.2 million
- Stormwater Fund - \$17.3 million
- Dedicated Housing Fund - \$7.4 million
- Parking Fund - \$10.8 million
- Inspections Fund \$7.1 million
- DPAC Fund - \$4.3 million
- Ballpark Fund - \$2.5 million

Fiscal Year 2020-21 Budget

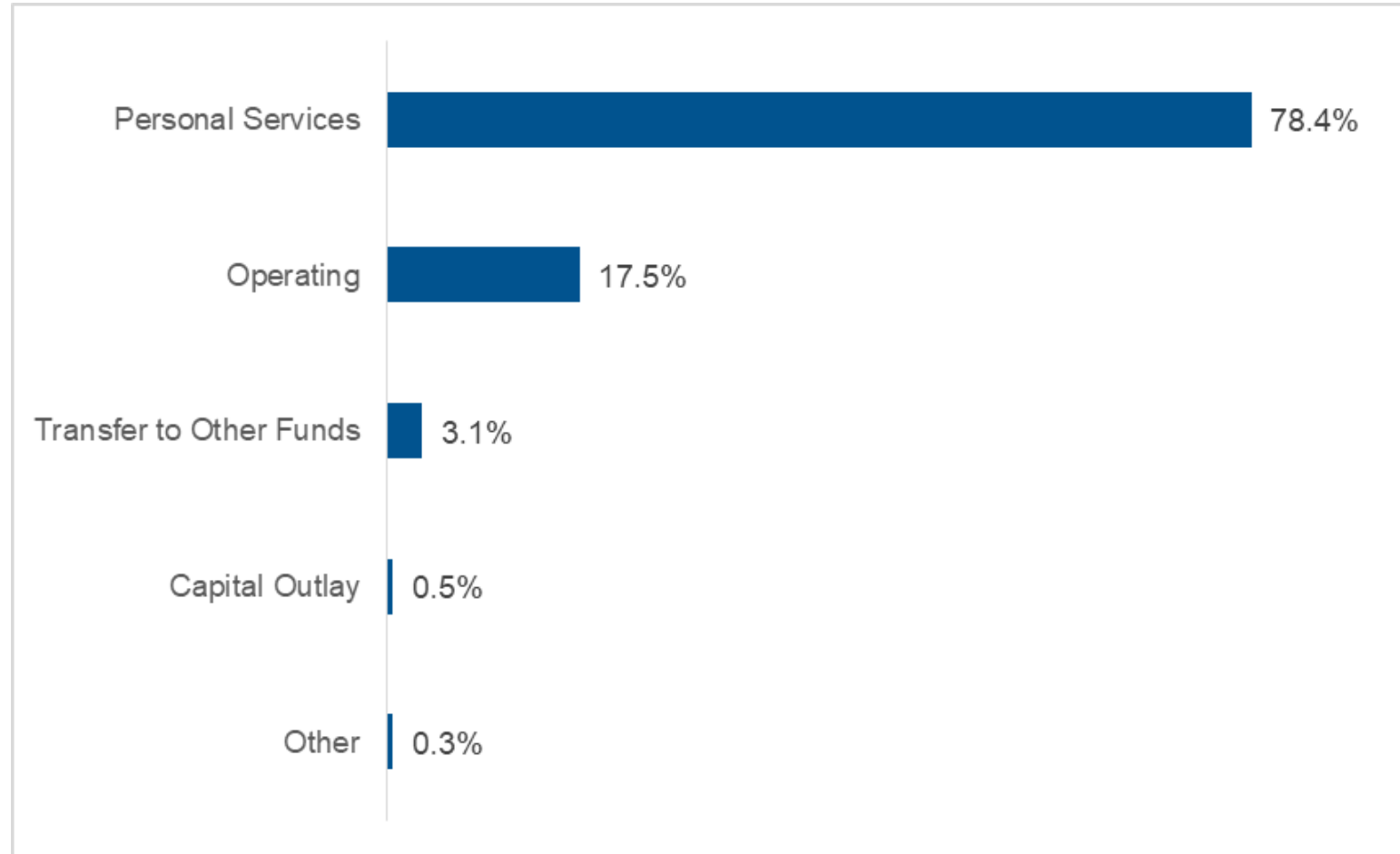
- **Property tax rate at 53.17 (cents per \$100)**
 - A penny on the tax rate = \$3.477 million
 - Tax Rate 53.17 (cents per \$100) breakdown:
 - GF Operations = 30.83
includes ½ Penny for Park and Trail Maintenance
 - Debt = 11.00
 - Solid Waste = 5.59
 - Transit = 3.75
 - Dedicated housing = 2.00



Fiscal Year 2020-21 GF Revenues



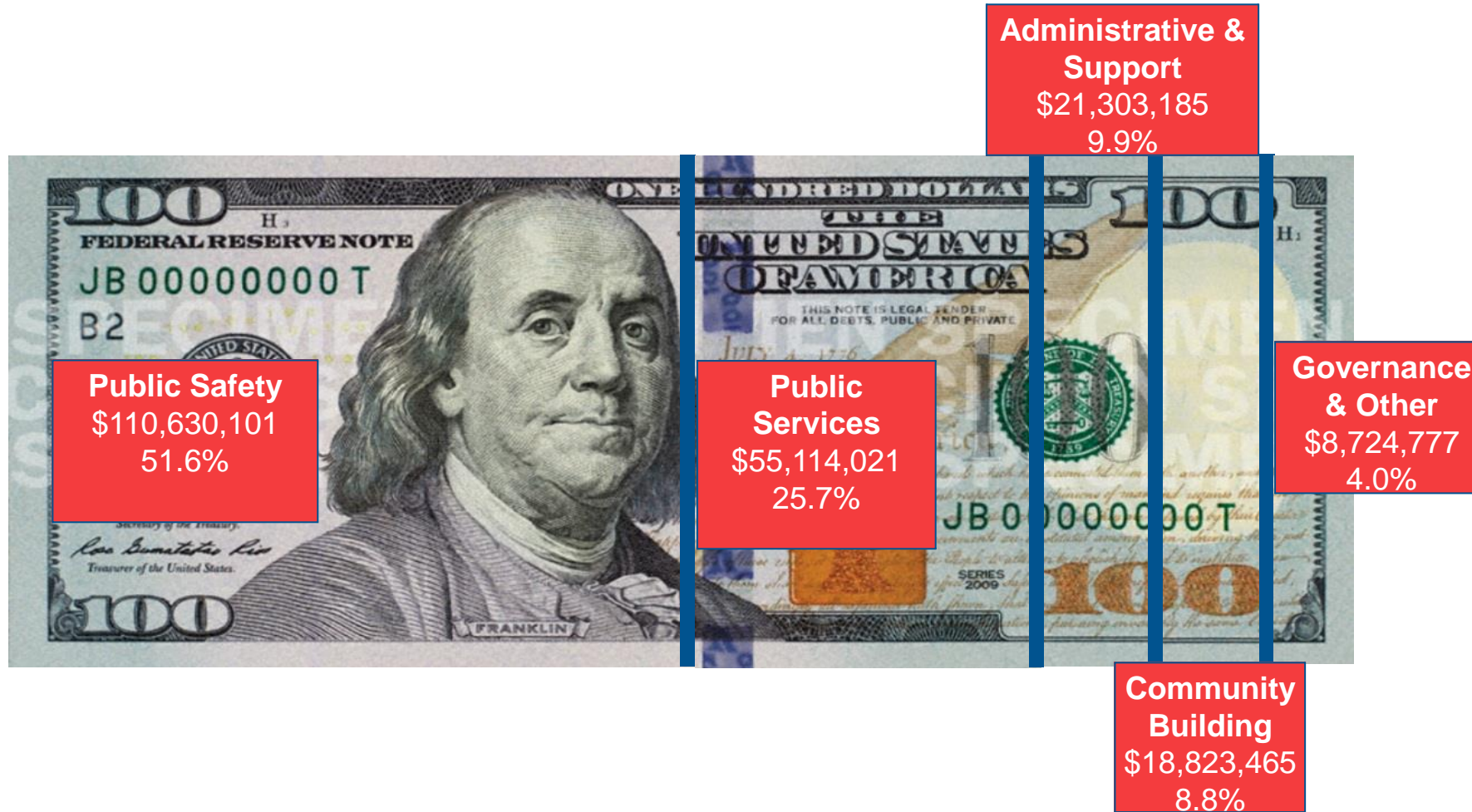
Fiscal Year 2020-21 GF Expenditures



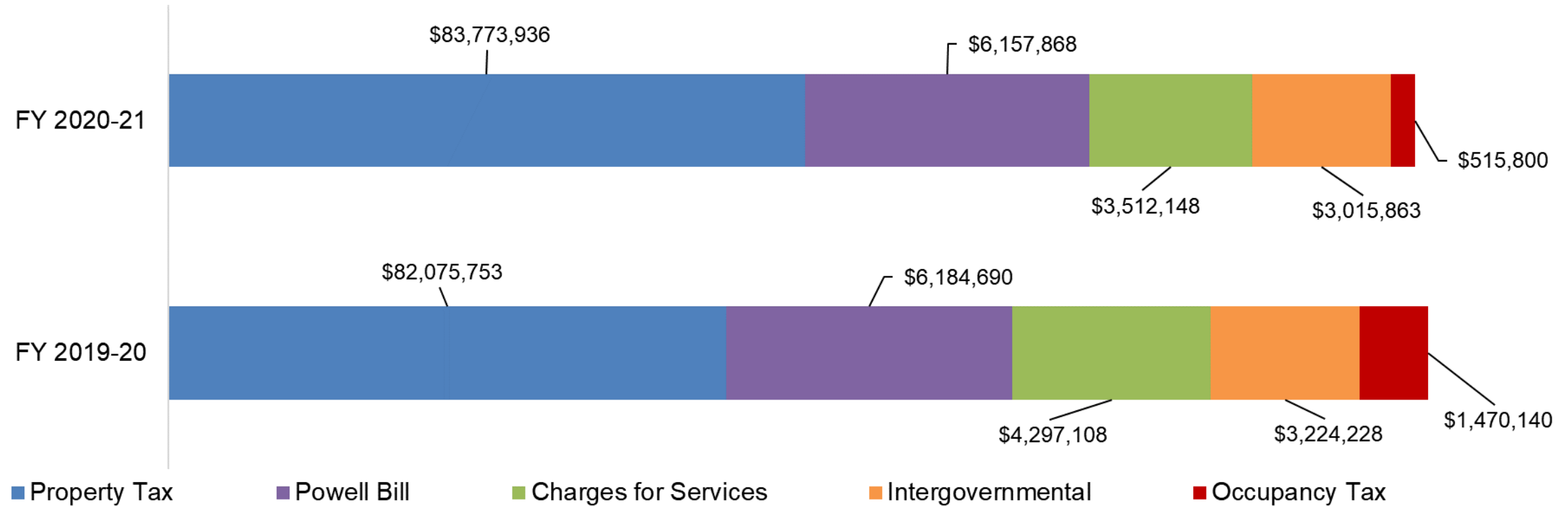
2020-21 GF Revenues



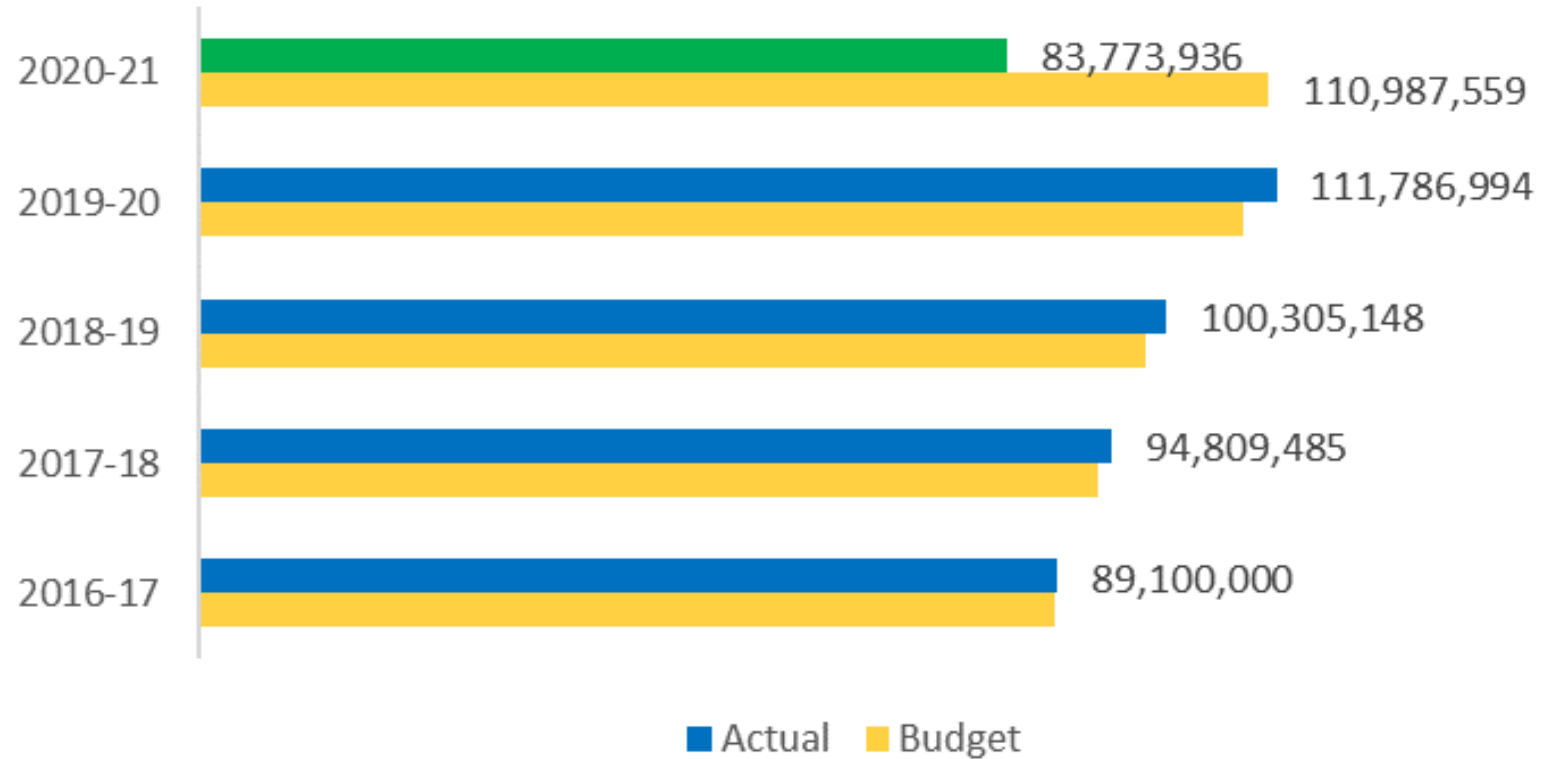
General Fund: Where does the money go?



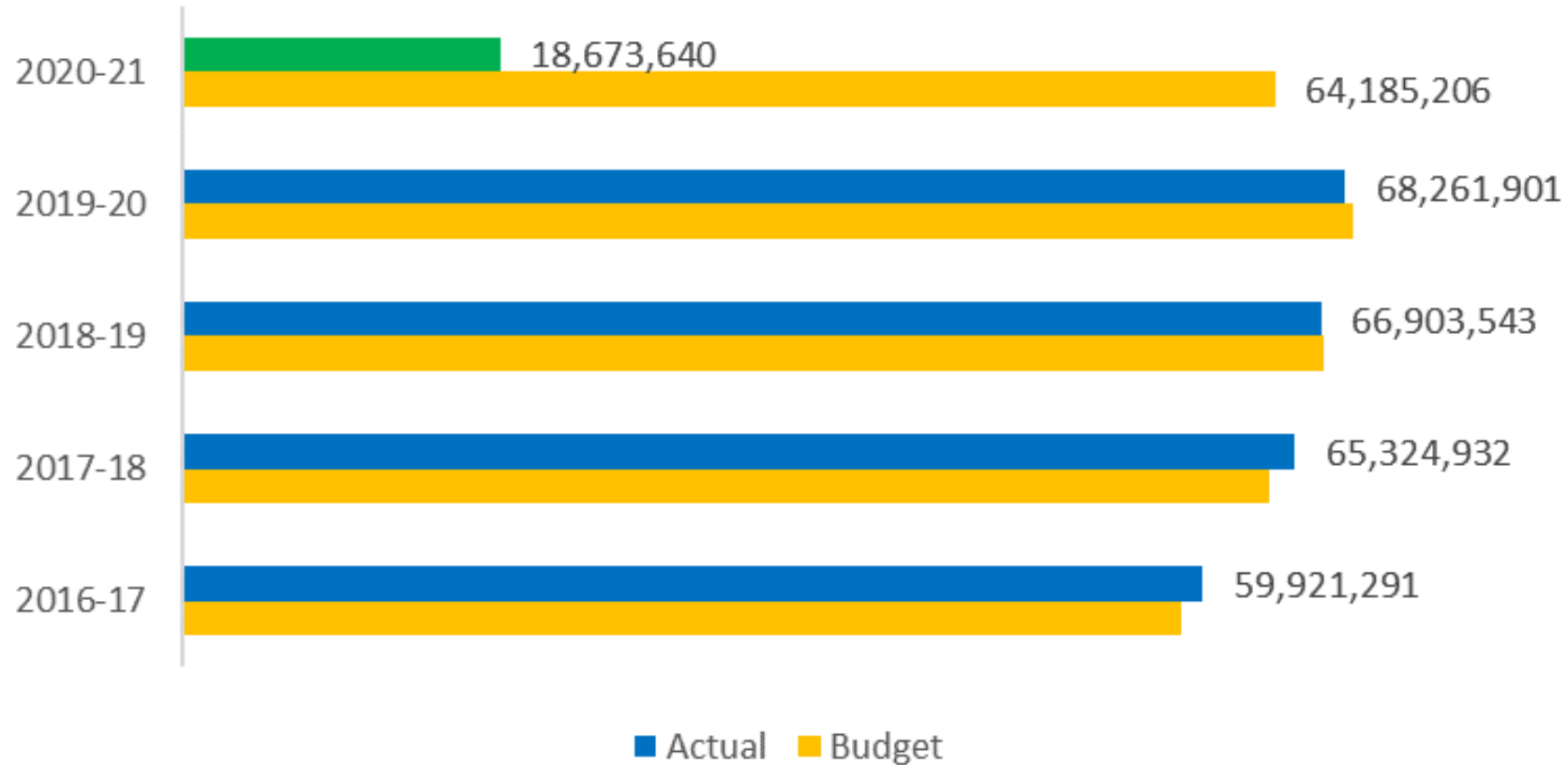
Q2 Revenue Comparisons



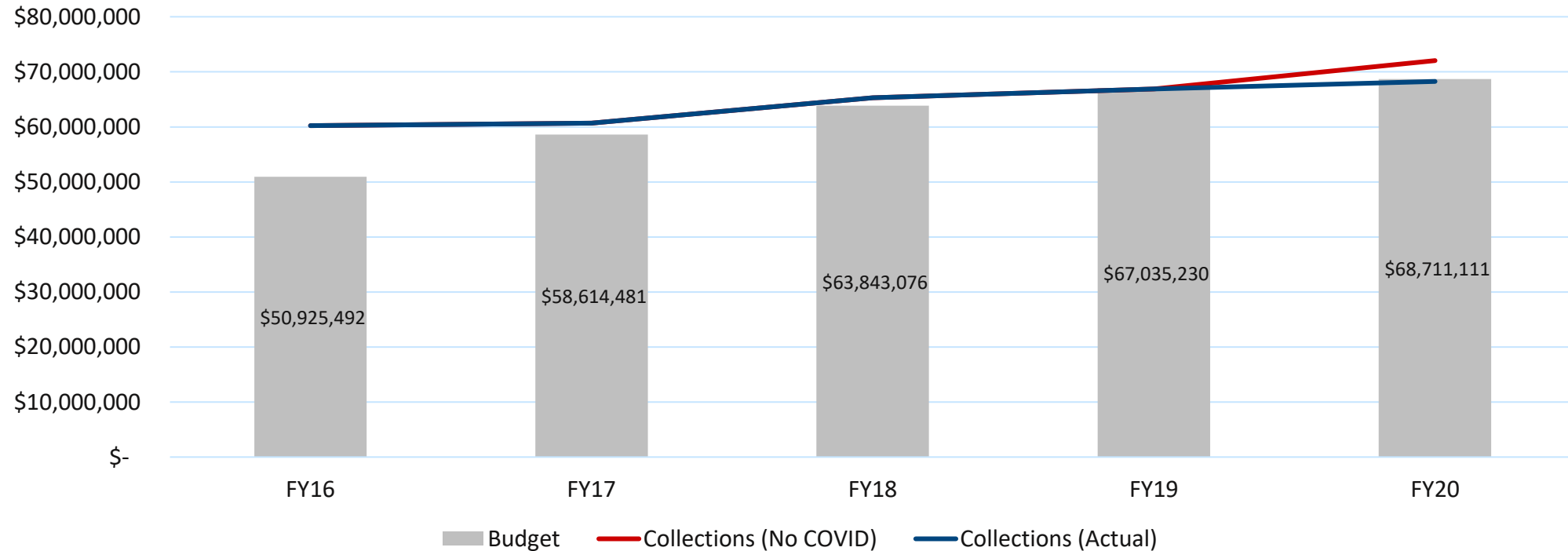
Property Tax Revenues



Sales Tax Revenues

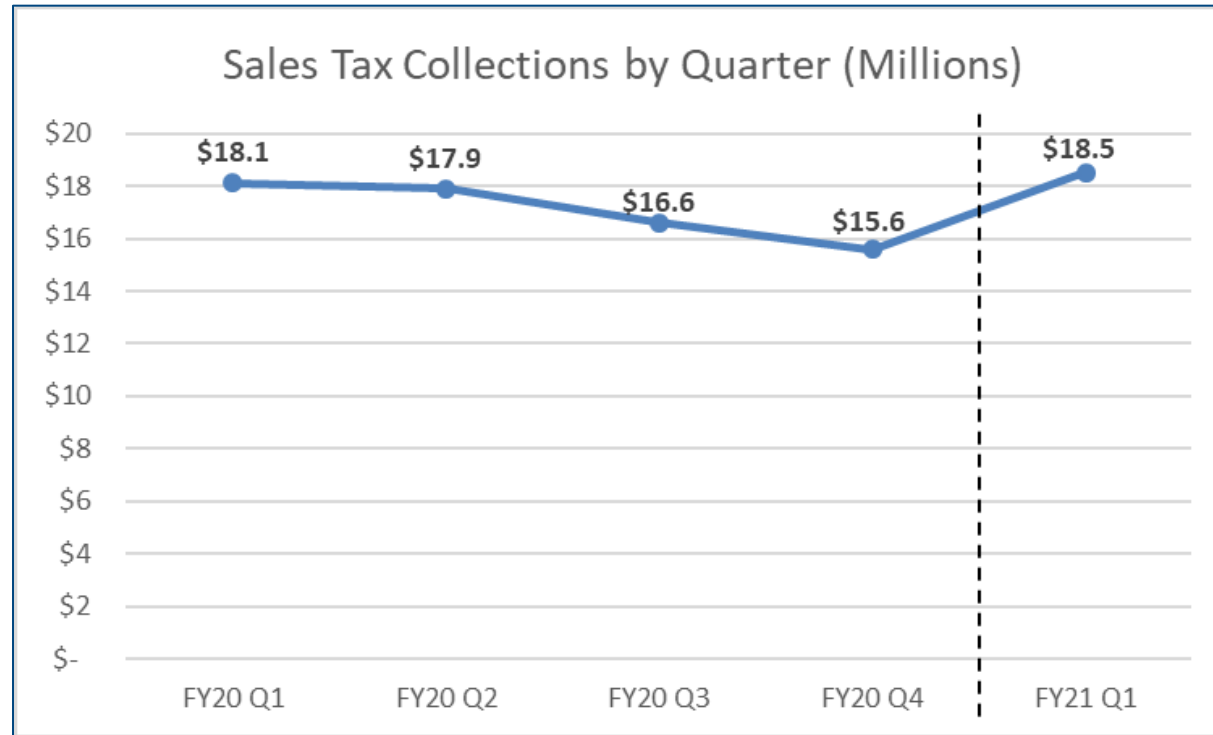


Sales Tax – COVID's Effects on end of FY20



- FY20 Actual = **\$68.2M** (-\$450k or -0.6% vs. budget)
- Pre-COVID, FY20 was on track for **\$72M of collections**
 - FY20 budget was a conservative \$68.7M due to previous year DOR refund delays
 - Based on projected actuals, COVID led to an estimated **-14% for FY20 Q4** compared to economists predicting up to -20%

Sales Tax Revenues – FY21 Actuals

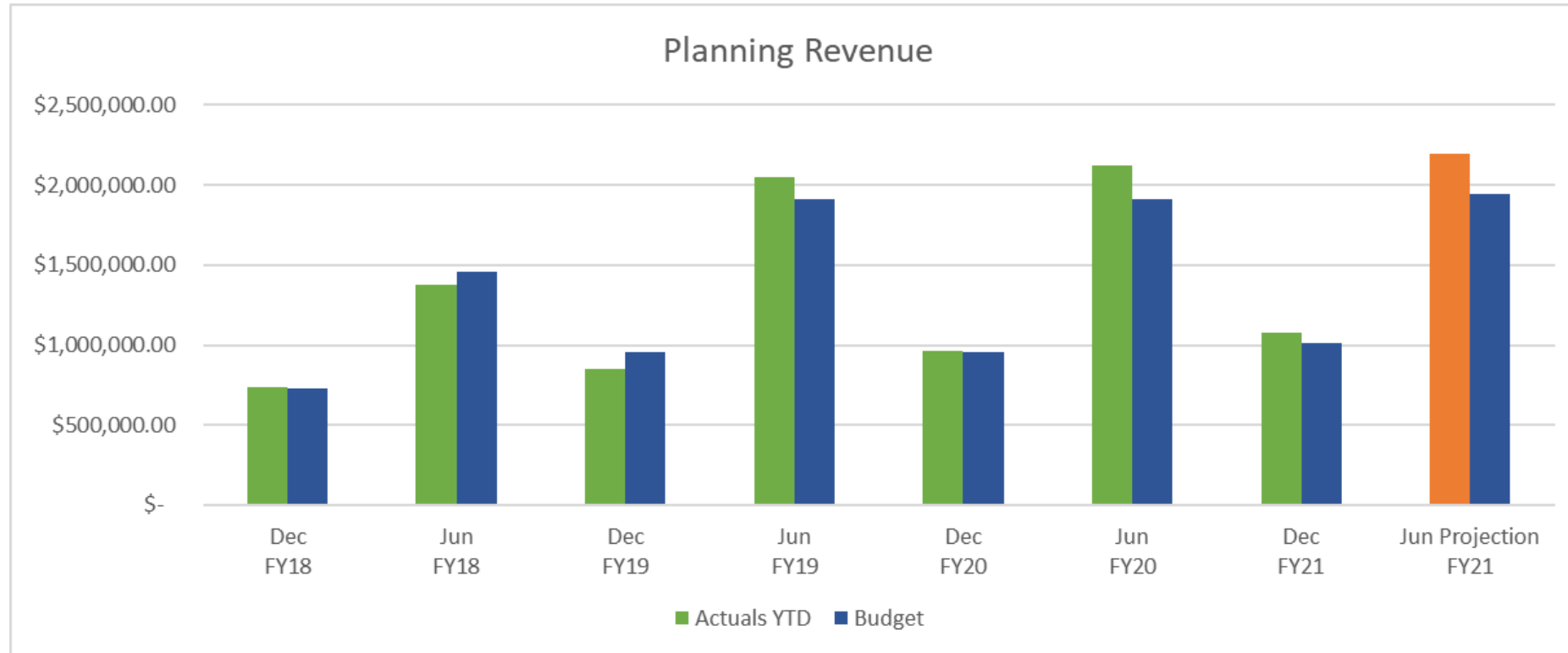


- As of FY21 Q1, **\$18.5M** collected vs. **\$18.1M** same period last year
 - **\$640k** of this is due to the FY21 ILA – new gains coming in as expected
 - Without new ILA, collections still very strong and nearly flat
 - For this period, we were roughly **\$2.5m ahead of budget** for FY21

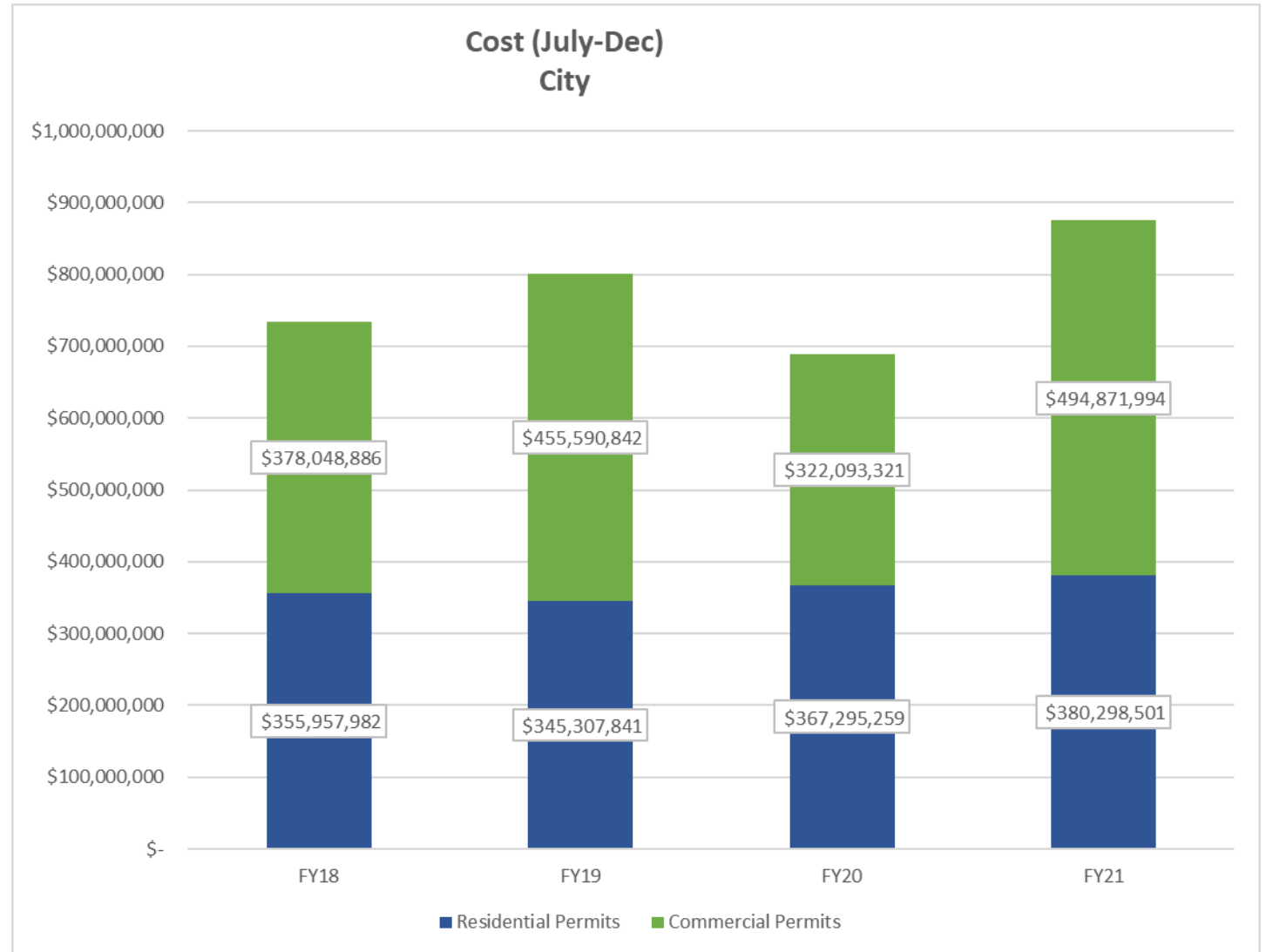
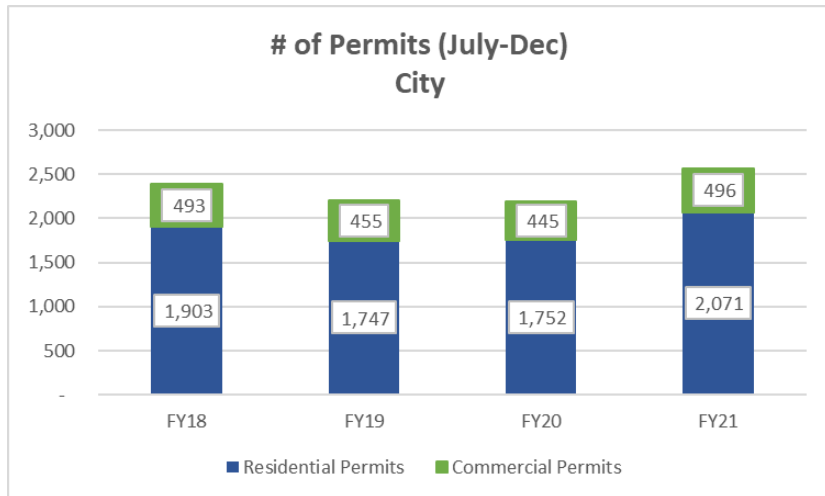
January Revenue Status

- Total tax collections (\$151M) at 68.26% of budget
 - Property Tax collections (\$108.6M) is at 97.8%
 - Sales tax collections (\$23.9M) is at 36.2%
 - Hotel/Motel/Car Rental (\$516K) at 24.6%
- Licenses and Permits at 144%
- Intergovernmental Revenues at 62.8%
- Charges for Services at 41.1%

Planning Development Fees



Inspection Permits



ADOPTED CUSTOMER COSTS FOR MUNICIPAL SERVICES FY2020-21

- This chart represents annualized costs for city services.
- Annual property tax for Wake County Municipalities is based on median single family residential unit values, as of Jan 1, 2020.
<http://www.wakegov.com/tax/statistics>
- Other municipalities utilize median value of owner-occupied housing units from <https://www.census.gov/>
- Annual water/sewer charges based on usage of 3,740 gallons or 5 CCF per month.
- Annual stormwater rates are based on 2,000 square feet.

		City Property Tax Rate	Annual City Property Tax	Annual Solid Waste Fees	Annual Water & Sewer Charges	Annual Stormwater Fees	Annual County Property Tax	Total
Wake County Municipalities	Apex	\$ 0.3800	\$ 1,339	\$ 257	\$ 690	\$ -	\$ 2,114	\$ 4,400
	Cary	\$ 0.3500	\$ 1,310	\$ 234	\$ 747	\$ -	\$ 2,245	\$ 4,536
	Fuquay-Varina	\$ 0.3950	\$ 1,075	\$ 171	\$ 798	\$ -	\$ 1,633	\$ 3,678
	Garner	\$ 0.4971	\$ 1,039	\$ -	\$ 693	\$ -	\$ 1,254	\$ 2,986
	Holly Springs	\$ 0.4218	\$ 1,424	\$ 229	\$ 758	\$ 52	\$ 2,027	\$ 4,489
	Knightdale	\$ 0.4200	\$ 1,010	\$ 199	\$ 693	\$ 51	\$ 1,442	\$ 3,394
	Morrisville ¹	\$ 0.3650	\$ 1,289	\$ -	\$ 253	\$ 25	\$ 2,119	\$ 3,686
	Rolesville	\$ 0.4600	\$ 1,569	\$ 264	\$ 693	\$ -	\$ 2,046	\$ 4,572
	Wake Forest	\$ 0.4950	\$ 1,549	\$ 252	\$ 693	\$ -	\$ 1,877	\$ 4,371
	Wendell	\$ 0.4700	\$ 999	\$ 264	\$ 1,197	\$ -	\$ 1,275	\$ 3,735
	Zebulon	\$ 0.5500	\$ 1,017	\$ 328	\$ 1,531	\$ -	\$ 1,110	\$ 3,986
Other North Carolina Municipalities	Asheville ²	\$ 0.4289	\$ 1,413	\$ 168	\$ 729	\$ 38	\$ 2,208	\$ 4,557
	Carrboro ³	\$ 0.5994	\$ 2,103	\$ 132	\$ 865	\$ 87	\$ 3,045	\$ 6,231
	Chapel Hill ³	\$ 0.5440	\$ 2,226	\$ -	\$ 819	\$ 70	\$ 3,551	\$ 6,666
	Charlotte ⁴	\$ 0.3481	\$ 878	\$ 68	\$ 640	\$ 103	\$ 1,555	\$ 3,244
	Durham	\$ 0.5317	\$ 1,348	\$ -	\$ 620	\$ 42	\$ 1,805	\$ 3,815
	Fayetteville	\$ 0.4995	\$ 639	\$ 225	\$ 752	\$ 72	\$ 1,023	\$ 2,711
	Greensboro	\$ 0.6625	\$ 1,124	\$ 30	\$ 481	\$ 32	\$ 1,239	\$ 2,906
	Wilmington	\$ 0.4984	\$ 1,364	\$ 315	\$ 728	\$ 100	\$ 1,341	\$ 3,849
Comparison	Winston-Salem	\$ 0.6374	\$ 983	\$ -	\$ 611	\$ 54	\$ 1,146	\$ 2,795
	Raleigh	\$ 0.3552	\$ 909	\$ 229	\$ 693	\$ 66	\$ 1,535	\$ 3,431
	Average of Wake County	\$ 0.4367	\$ 1,238	\$ 244	\$ 795	\$ 43	\$ 1,740	\$ 4,060
	Average of all municipalities	\$ 0.4777	\$ 1,285	\$ 209	\$ 750	\$ 61	\$ 1,803	\$ 4,107

¹ Morrisville and Cary share a water system, with Cary setting the rate structure.

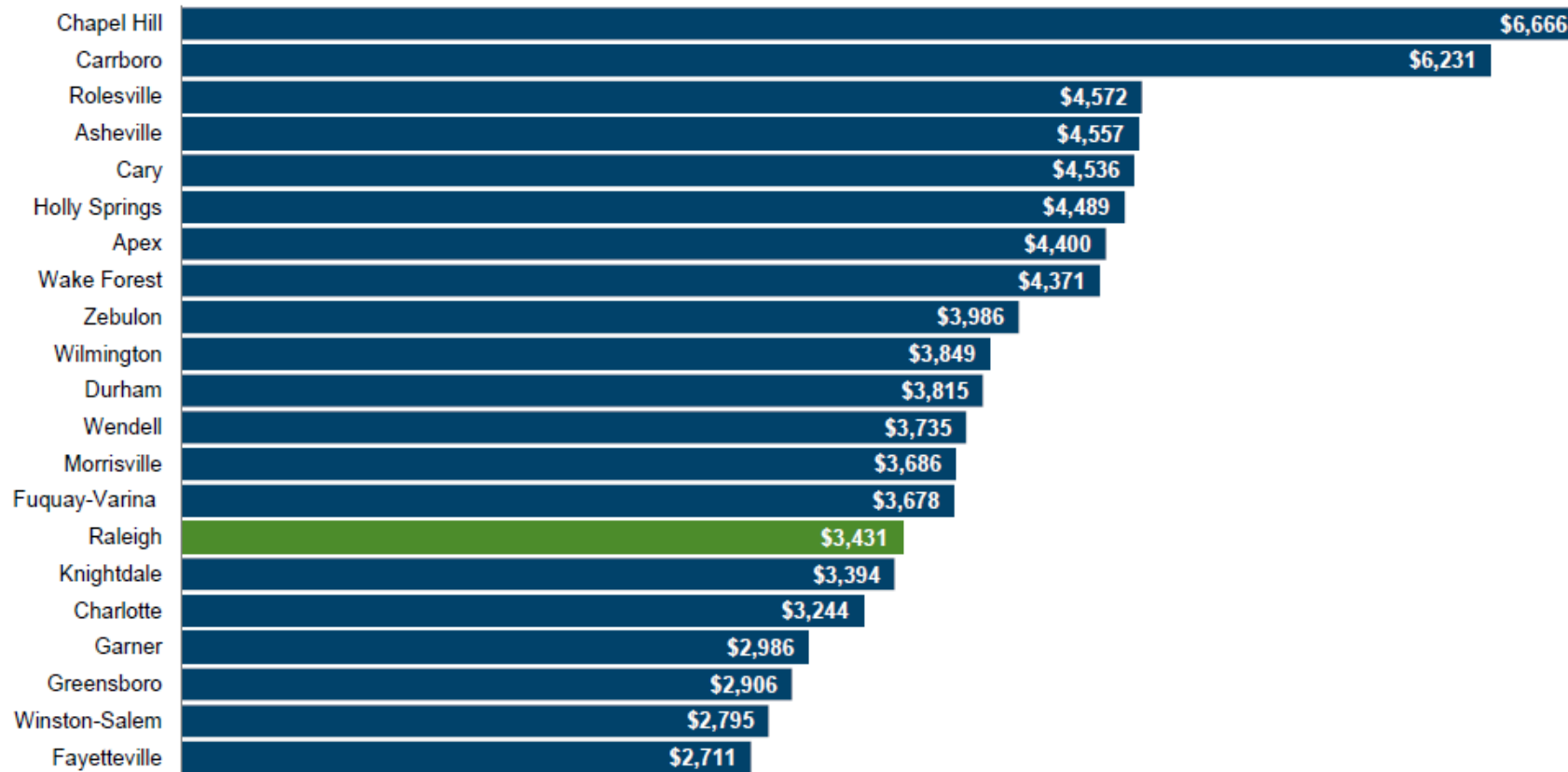
² Asheville receives sewer service from Metropolitan Sewerage District of Buncombe County, which sets the rate structure.

³ Carrboro and Chapel Hill are served by the Orange Water and Sewer Authority, which sets the rate structure.

⁴ Wilmington receives water and sewer service from Cape Fear Public Authority, which sets the rate structure.

Municipal Services FY 2020-21

Annual Customer Costs



FY 2021-22 Budget Outlook



FY 2021-22 Budget Outlook

- The initial forecast estimates that we begin the budget development process with \$674K deficit.
- We received approximately 78 budget requests from departments (\$17M)
- We received 11 budget requests from City Council (over \$2M)
- General Fund balance best practice is to only use for one-time expenses.

FY 2021-22 Budget Development Process



Budget Development Schedule

City Manager and BMS Only

Multi-Year Financial Plan, Risk, Health Benefits, and Debt: Wednesday, December 16, 2020

Budget Kickoff: Wednesday, January 6, 2021 at 12:00 pm – Midday Moments

Quarterly Financial Update (regular City Council work sessions)

November 19, 2020 (1st Quarter FY21)

February 18, 2021 (2nd Quarter FY21)

May 20, 2021 (3rd Quarter FY21)

September 9, 2021 (4th Quarter FY21 – unaudited)

City Council Budget Retreats

Financial Projections/ Economic Outlook/Other Topics:

Thursday, February 11, 2021 (9:00 a.m. – 1:00 p.m.)

Friday, February 12, 2021 (10:00 a.m. – 2:00 p.m.)

Budget Guidelines/Other Topics:

Thursday, February 25, 2021 (9:00 a.m. – 1:00 p.m.)

Friday, February 26, 2021 (9:00 a.m. - 1:00 p.m.)

Budget Public Engagement

Community Conversations (Virtual) - TBD

Public Hearing, Monday, June 7, 2021

Council work sessions on the budget

Wednesday, May 26, 2021 (9:00 a.m. – 1:00 p.m.)

Thursday, May 27, 2021 (9:00 a.m. – 1:00 p.m.)

Thursday, June 10, 2021 (9:00 a.m. – 12:00 p.m.) (if needed)

Other Budget Milestones at City Council Meetings

City Council adopts Budget Development Guidelines: Monday, April 5, 2021

City Manager presents budget to City Council: Monday, May 17, 2021

Council adopts budget, CIP and related fee schedules and ordinances: Monday, June 21, 2021

FY 2022 Budget Development

Next Steps

- Departmental budgets are due Feb 22nd.
- New funding requests will be prioritized based on alignment to objectives in Strategic Plan and performance data.
- Capital Projects will be prioritized in CIP.

FY 2022 Budget Development

Budget and Management Services will:

- Review new budget requests and prepare analysis.
- Analyze impacts to performance measures.
- Prepare budget recommendations for City Manager.

Summary

- We are on target to meet current year revenue projections in most areas and exceed target in specific areas.
- We project that all departments will end this fiscal year within budget.
- Revenues are projected based on assumptions in the multi-year financial plan - departments will provide updates to FY21 program revenues with the budget submission.
- Expenditures are projected in multi-year plan - departments will provide updates to FY21 program expenditures and new funding requests with the budget submission.
- At this point, we have \$673K Budget Gap in the General Fund.

General Fund Multi-year Projection



Multi-Year Plan

Fiscal Year	2021	2022	2023	2024	2025	2026
Revenues						
General Property Taxes	\$ 109,672,882	\$ 112,677,809	\$ 116,058,143	\$ 119,539,887	\$ 123,126,084	\$ 126,819,866
Taxes: Prior Year Levy/Interest	1,314,677	1,251,540	1,275,564	1,300,174	1,325,386	1,351,216
Other Local Taxes	66,701,608	72,016,298	73,448,124	74,929,919	76,441,990	77,984,961
State-Shared Revenues	10,179,124	11,622,801	11,855,257	12,092,363	12,334,210	12,580,894
Licenses and Permits	326,300	328,200	330,138	332,115	334,131	336,188
Rental Income	117,001	117,001	117,001	117,001	117,001	117,001
Charges for Current Services	9,355,718	9,011,113	9,132,291	9,256,209	9,382,938	9,512,547
Intragovernmental Services	7,050,644	7,240,590	7,535,703	7,818,511	8,149,909	8,199,695
Other Revenues	1,175,000	1,175,000	1,175,000	1,175,000	1,175,000	1,175,000
Additional Revenues	8,702,596	4,608,099	4,000,000	4,608,099	4,000,000	4,608,099
Total Revenues	\$ 214,595,549	\$ 220,048,451	\$ 224,927,221	\$ 231,169,278	\$ 236,386,649	\$ 242,685,467
Appropriations						
Personal Services	\$ 168,268,743	\$ 169,176,692	\$ 179,848,068	\$ 183,671,852	\$ 187,974,756	\$ 192,520,321
Operating	37,583,355	39,061,083	36,543,751	36,790,364	37,426,268	38,784,808
Capital Outlay	992,275	1,030,897	1,071,064	1,112,838	1,156,283	1,201,465
Others	1,011,935	711,935	641,935	641,935	641,935	641,935
Transfers to Other Funds	6,739,241	10,741,454	10,743,777	10,746,217	10,748,779	10,751,470
Total Appropriations	\$ 214,595,549	\$ 220,722,062	\$ 228,848,595	\$ 232,963,207	\$ 237,948,022	\$ 243,900,002
Property Taxes Needed	\$ 109,672,882	\$ 113,351,420	\$ 119,979,517	\$ 121,333,816	\$ 124,687,457	\$ 128,034,401
Projected Levy	109,672,882	112,677,809	116,058,143	119,539,887	123,126,084	126,819,866
Surplus/(Shortfall)	\$ -	\$ (673,611)	\$ (3,921,374)	\$ (1,793,929)	\$ (1,561,373)	\$ (1,214,535)
One Cent on Tax Rate Projected	\$ 3,557,343	\$ 3,654,811	\$ 3,764,455	\$ 3,877,388	\$ 3,993,710	\$ 4,113,521
Tax Rate (General Fund Only)	0.3083	0.3083	0.3083	0.3083	0.3083	0.3083
Additional GF Tax Rate / Surplus	-	0.0018	0.0104	0.0046	0.0039	0.0030
Total GF Tax Rate Equivalent	0.3083	0.3101	0.3187	0.3129	0.3122	0.3113

FY 2021-22 GF Multi-Year Revenue Assumptions

- Property Tax - 3.0% Increase
- Sales Tax - 1% Increase over FY22 Q2 projection (2% FY23-26), includes FY22 ILA passed by Council on 2/1/21
- Occupancy Tax - 0% Increase FY22 (2% in FY23 and 3% in FY24-26)
- Charges for Services -3.6% Decrease FY22 (1.4% Increase for FY23-26)

Major Assumptions

- General Services Maintenance:
 - \$1.1M in FY22 (+ \$100K over FY21 Budget)
 - Increase to \$1.2M by FY23
- Streets:
 - \$6M in FY22 (same budget as FY21)
- Continuation of projects paid with fund balance:
 - Additional \$4M for street maintenance (\$4M in CIP for FY21)
 - Election Costs for FY22 \$600K

Major Assumptions (cont.)

- FY22 Benefits:
 - Health Insurance: No increase for FY22 (9.0% for out years)
 - Dental Insurance: 7.0% increase (7.0% for out years)
 - 401K Contributions: remain flat at 5%
 - Local Government Retirement: increase to 11.35%. (1.2% increase over FY21)

Major Assumptions (cont.)

- FY22 Tax Rate 53.17 per \$100 (no increase at this point):
 - GF = 30.83
 - Debt = 11.00
 - Transit = 3.75
 - Housing = 2.0
 - Solid Waste = 5.59
- Property Tax Projection: 3.0% annual growth
- Pay: No Pay Adjustments in the model. Recommendations will be made at a later date.

Fund Balance Policy

12% plus "...4.7% of...expenditures as a reserve for...opportunities and other non-emergency needs...bringing total...target level to 16.7%"

2021 Fund Balance Projections

2021 EOY Projected Fund Balance	<u>\$ 51,312,164</u>
12% Minimum Level	\$ 24,942,757
16.7% Target Level	\$ 34,712,003
Surplus above Target Level (16.7%)	\$ 16,600,161
Percent in Excess	8%

FY 2021-22 – Not Included

- Pay adjustments for employees
- New budget requests
- New CIP requests (not included in the 10-year CIP plan)
- Pay Plan structure adjustments
- Water Hardship Fund Increase
- Tax Increase for Housing Bond

Future Challenges

- Pay for Performance (general employees)
- Police and Fire Pay Plans
- Any additional appropriations for street maintenance
- Additional needs for deferred maintenance
- Police Pilots from RTI Study

Questions?